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MEMORANDUM CIRCULAR

NO. 13

Series of 2015

GUIDELINES ON THE PROVISION OF SEED CAPITAL FUND
THROUGH THE SUSTAINABLE LIVELIHOOD PROGRAM

I. Background and Rationale

The Department of Social Welfare and Development (DSWD), with its ultimate goal of reducing poverty incidence and improving the quality of life of underprivileged Filipinos, continues to develop programs that are responsive to the needs of the poor, disadvantaged, and marginalized sectors, which includes the Sustainable Livelihood Program (SLP).

SLP is a capacity building program that seeks to improve the level of well-being of its participants through capacity building activities, and facilitation of linkages to various economic opportunities. Prior to SLP's conception, the Department has been implementing the Self-Employment Assistance-Kaunlaran (SEA-K) as its frontline program on livelihood assistance since 1993. In response to the challenges on program expansion and in contribution to the realization of the thrusts and priorities of the Department, Administrative Order 11 (AO11), series of 2011¹ was issued to formally introduce SLP with an expanded menu of livelihood interventions employing the Community Driven Enterprise Development (CDED) strategy. Lessons on program implementation gained along the way paved the road for enhancements and additional interventions provided in the issuance of Memorandum Circular no. 11 (MC11), series of 2014². Recognizing the need to ensure the poor's access to financial services, SEA-K remains as a modality implemented under the Microenterprise Development track of SLP.

To evaluate the operations, systems, and strategies put in place since the establishment of SLP, the program has worked with the Philippine Institute for Development Studies (PIDS) for the conduct of *Rapid Assessment on SEA-K*, and a consultant for *Expanding Access to Financial Services through SLP*. Highlights of the studies include the following:

- It must be clarified that the SEA-K financing scheme is a capacity building grant to support the profitable and sustainable operation of microenterprises; as such, there is supposed to be no need for the funds to be "rolled back" to DSWD
- For participants who do not qualify as recipients of microcredit through Microfinance Institutions (MFIs), funds should be provided for the development of micro-business models under a grant scheme
- Government should move away from the implementation of microcredit programs

For and in consideration of the foregoing, this document providing guidelines on the utilization of SLP's Seed Capital Fund is issued. The same complements and provides necessary enhancements to the provision outlined under section B.3.2 (*SLP Financial Management*), item 2 (*Seed Capital Fund*) of MC 11.

¹ Also known as the *Guidelines on the Implementation of the Sustainable Livelihood Program*

² Also known as the *Enhanced Guidelines on the Implementation of the Sustainable Livelihood Program*

II. Legal Basis

- 2.1 Republic Act of 5416, also known as the *Social Welfare Act of 1968*, which provides the mandate of the Department of Social Welfare and Development to implement a comprehensive social welfare program
- 2.2 Department Order 45, series of 1996, which provides a thorough background on the evolution of the program and its intended purpose, and acknowledges the “*Self-Employment Assistance Program as the only accredited assistance program of government directed towards the welfare group, which is non-collateral, non-interest bearing and involves a fund recovery feature*”
- 2.3 Administrative Order 13, series of 2010, which provides amendments to SEA-K level I, and supports changes on program design to ensure responsiveness to the present needs and situation of DSWD’s clientele
- 2.4 Executive Order No. 138³, series of 1999
 - 2.4.1 Section I, which states the “*non-participation of government non-financial agencies and government-owned and controlled corporation in the implementation of credit programs*” as one of the principles on which the policy of providing the basic sector access to financial services
 - 2.4.2 Section III, which states that “*National Government Non-Financial Agencies (GNFAs) and Government-Owned and Controlled Corporations (GOCCs) in partnership with appropriate private sector institutions will focus on the provision of capability building services (e.g. education and training, operation of information centers, etc.) to those institutions in the delivery of credit services to the basic sector*”

III. Definition of Terms

- 3.1 *Community Core Group (CCG)*
 - refers to a barangay-based volunteer group organized to provide support to the Project Development Officer from the identification of areas, participants, and projects until project implementation and monitoring; the CCG is usually composed of the C / MAT, Pantawid Pamilya Parent Leaders in the identified barangays, old SKA Officers, Barangay Sub-Project Management Committee (BSPMC) leaders, cooperative leaders, and Barangay Health Workers / Barangay Nutrition Scholars; other local community members may also become part of the CCG
- 3.2 *Community Driven Enterprise Development (CDED)*
 - refers to the framework that vies for business sustainability and development in the context of a community’s local livelihood assets and economy; the framework promotes the establishment of enterprises that are (1) resource-based, (2) market-driven, (3) culturally sensitive, and (4) economically viable.

³ Also known as *Directing Government Entities Involved in the Implementation of Credit Programs to Adopt the Credit Policy Guidelines Formulated by the National Credit Council*

3.3 *Economies of Scale*

- refers to the cost advantages that enterprises obtain due to increasing size, output, or speed of operation

3.4 *Group Enterprise*

- refers to a community-based enterprise (start up or otherwise) jointly proposed by at least five (5) eligible SLP participants, wherein the Seed Capital Fund requested by each eligible SLP participant is pooled together to fund a common undertaking

3.5 *Individual Enterprise*

- refers to an enterprise (start up or otherwise) proposed by one eligible participant belonging to an SLP Association

3.6 *Seed Capital Fund (SCF)*

- refers to the capacity building grant provided to eligible program participants under the Microenterprise Development track of SLP; the grant is intended for the setting up of a credit and savings facility, and management of an individual or group enterprise, to be returned to the SLP Association within a specified period of time agreed upon by the members of the SLP Association

3.7 *Sustainable Livelihood Program Association (SLP Association)*

- refers to a group of participants composed of at least five (5) eligible SLP participants living in close proximity to each other⁴ to avail of various interventions from the Department through SLP, including Seed Capital Fund; an SLP Association may refer to a newly organized group, or to the re-clustering of existing groups or associations; the formation and strengthening of the SLP Association is a pre-requisite prior to the release of Seed Capital Fund to the group

3.8 *Value Chain*

- refers to the full range of activities that businesses go through to bring a product or service to its end users; it is imperative that enterprises established under SLP form part of the value chain, such that the profit gained is sufficient to support the participant's (family's) needs

IV. Scope and Limitations

4.1 Nature and Purpose of Fund

The Seed Capital Fund is a capacity building grant given to an eligible SLP participant, belonging to an organized SLP Association. The primary objective of the grant is to organize a community-based, credit and savings facility, and be provided with the necessary assistance to operate as such. The SLP Association may opt to engage in additional group income generating projects such as but not limited to enterprise start-up, value addition product processing, and group marketing, to enable the participant to put into practice acquired skills on enterprise management, leading to the establishment of a stable source of income for the participant.

⁴ i.e. in the same barangay, or municipality/city, in the case of federated SLP Associations

The Seed Capital Fund may only be availed of in cities or municipalities where an SLP Association has been organized. It should serve the purpose of organizing a community-based credit and savings facilities that financial institutions may tap as wholesale credit providers or conduits for lending to the areas that are yet to be covered by formal financial institutions. This should also lead to increasing the capacities of communities to engage in local economic activities, which should eventually trigger private financial institutions to enter the said areas, and expand their coverage to poor families.

As an alternative approach under the Microenterprise Development track, the Seed Capital Fund shall remain an option of last resort, with priority given to accessing of funds for similar undertakings through Microfinance Institutions (MFIs).

4.2 Eligibility

Any eligible SLP participant⁵ can avail of the Seed Capital Fund. The participant must be part of an association organized through SLP (see *Group Formation* under *Section V - Key Implementation Points*), and demonstrates inclination to engage in entrepreneurial activities. In extraordinary cases, participants endorsed by means of referrals⁶, may be eligible recipients of the grant.

4.3 Cost Parameter

The amount of Seed Capital Fund that can be availed of by each eligible SLP participant will be based on the required capitalization outlined in the submitted and approved project proposal, not exceeding a maximum of Ten Thousand pesos (Php 10,000.00). In the event that the proposed project requires a higher amount exceeding the parameter set, a participant may opt to group together with other participants within the same association, who are interested to carry out a similar undertaking, leading to the formation of a group enterprise. As a secondary option, the exceeding amount can be sourced out as a counterpart from (a) implementing partner agencies, (b) the local government unit, or (c) other stakeholders.

While an eligible participant can only avail of the Seed Capital Fund only once, in the interest of promoting sustainability, the strategy and may be utilized together with other strategies⁷ of implementation under SLP.

⁵ Any family member listed under the National Household Targeting System for Poverty Reduction list, with preference for Pantawid Pamilya families, or other vulnerable / marginalized sectors; aside from capabilities and willingness, participants should at least be 16 years old to participate in the Microenterprise Development track (with a written legal consent for those who are below 18 years of age)

⁶ Referrals refer to walk-in clients, or those endorsed by external parties who are initially not part of the targets of SLP, but are verified as qualified to receive assistance from SLP

⁷ Community Driven Enterprise Development (CDED) Fund or Community Mobilization Fund, Skills Training Fund, Pre-Employment Assistance Fund or Cash for Building Livelihood Assets (CBLA)

V. Key Implementation Points

5.1 Group Formation

Eligible participants who wish to avail of Seed Capital Fund should organize themselves to form an SLP Association⁸ with at least five (5) members. An SLP Association can be a newly organized group, or be re-clustering of existing groups. As this forms the foundation of the association, member selection must be carefully carried out with guidance from the Project Development Officer (PDO), and/or the LGU livelihood worker. The Community Core Group (CCG) composed of leaders and active members of the community may also be tapped to help in the formation of SLP Associations. To achieve economies of scale and to promote sustainability, it is suggested that eligible participants who may form part of the value chain within the same industry be grouped together.

There shall be no set maximum number of members per SLP Association. The organization of SLP Associations should (a) be based on the existing capacities of the members, who have expressed willingness to embark on a similar undertaking, and (b) adhere to the principles of the Community Driven Enterprise Development (CDED) approach (see next sub-section on *Types of Enterprises*). To ensure ownership and sustainability of the projects, the members of the SLP Association should be involved in the participative process of planning, implementation, monitoring and evaluation of group projects and activities.

The setting up and opening of a group account shall be considered as a milestone on Group Formation. Along with other requirements, these become part of the pre-requisites prior to the availing of Seed Capital Fund.

It is encouraged that each barangay organize one (1) SLP Association. For practical reasons, however, an SLP Association covering several barangays may be formed, wherein eligible and interested participants coming from different barangays can join.

5.2 Types of Enterprises

Apart from the setting up of a credit and savings facility, enterprises developed and formed should have high potentials for growth, based on the market study conducted by the PDO, or on other available sources.

5.2.1 Individual Enterprise

Whether for start up or as additional funding to an existing enterprise, a participant may use the Seed Capital Fund for his/her individual enterprise. While the enterprise is treated as independent from the undertakings of the rest of the members of the SLP Association to which the participant belongs to, the participant remains accountable to the SLP Association (see section on *Seed Capital Fund Recovery*).

⁸ Previously referred to as SEA-K associations (SKAs), or SEA-K groups (SKGs)

5.2.2 Group Enterprise

Eligible participants may form a community-based SLP Association that operates a group enterprise, that (a) functions as a credit and savings facility in the area, (b) is either linked to or forming a local value chain, with the members playing their respective roles in the chain⁹, or (c) caters to members who might be operating individual enterprises (or producers) whose products may be consolidated by the association to serve a bigger, more scale-able market¹⁰.

5.3 Provision of Seed Capital Fund Assistance

5.3.1 Project Proposal Preparation

The SLP association, with assistance from the PDO and/or LGU livelihood worker, is tasked to prepare *Project Proposals*¹¹ wherein a summary of proposals (i.e. mother proposal) should be submitted to the SLP Regional Project Management Office (RPMO), for downloading of funds.

The SLP Association mother proposal should contain the identifying information/data of the association, which include the name and address of association, number of members and list of elected officers, date organized, amount of requested Seed Capital Fund, group savings account and the name of bank, project description, project composition, savings mobilization strategy, projected cash flow; and recommendations of the field PDOs. The proposal should be supported with documents such as pictures of members, duly signed constitution and by-laws, photocopy of the group's bank account (i.e. passbook), amortization schedule, certificate of eligibility, project summary profile of members and promissory note. The proposal should also indicate the mode of disbursement of funds, i.e., release made to each individual participant of the SLP Association.

5.3.2 Signing of Agreement between the Individual and the SLP Association

Prior to the release of the Seed Capital Fund, each individual should sign an agreement with the SLP association, on the return of the loaned amount to the SLP Association (see section on *Seed Capital Fund Recovery*). This agreement should be attached to the project proposal submitted through the SLP Association.

5.3.3 Release of Seed Capital Fund

Regardless if the enterprise is individually managed or a group enterprise, the Seed Capital Fund shall be disbursed to each individual participant. Upon careful review of the proposals submitted by the SLP Association, the Field Office through the SLP RPMO Project Development Officer (with enclosed approval from the

⁹ An example would be an association of livestock raisers where some members are not just the raisers but are also able to butcher and process the meat, as other members package them, others transport the meat, and still other members sell the processed meat at market stalls or meat shops being operated by yet again other members

¹⁰ An example would be a group of rag-makers whose produce are consolidated by the association, subjected to the association's quality management procedures that adhere to the buyer's standards, and packaged and transported to the direct wholesale buyer

¹¹ Project Proposals should be assessed at the regional level, using the Project Assessment Tool, and other means deemed necessary

Regional Director) shall prepare a check payable to every member or a nominated member of the SLP Association, or hand out the cash amount. A minimum amount for opening an account shall then be deposited by each member, and shall form part of its initial savings¹², and continued on a regular basis to promote the habit of savings. It is imperative that the SLP Association, with guidance from the PDO and/or livelihood worker, evaluates and chooses the type of financial institution based on the relevant products and services offered¹³, and inclusivity¹⁴. The Association has a responsibility to ensure regularity of the repayment (see next subsection on *Seed Capital Fund Recovery*) of members to the SLP Association.

5.3.4 Seed Capital Fund Utilization Check

Within three (3) days but not exceeding one (1) week upon the release of Seed Capital Fund, the elected president of the SLP Association must monitor the utilization of the capital assistance. The LGU worker and the DSWD Project Development Officer (PDO) should conduct their own monitoring independently. This measure is put in place to determine the efficient utilization of capital, following the submitted Project Proposal.

5.4 Seed Capital Fund Recovery

While the nature of the Seed Capital Fund released by DSWD to the members of the SLP Association is recorded as a grant in its books, the SLP Association treats the amount as a loan availed of by its members.

5.4.1 Members to the SLP Association

For the recovery of Seed Capital Fund released to its members, the SLP Association should put in place a system of collection and management of funds which details on the (a) frequency (i.e. weekly, or based on the regularity of cash flow from the established enterprise), (b) savings mobilization (equity capital and related funds build-up), (c) terms of repayment (e.g. maximum of two years) and provision for re-loans, and (d) incentives and penalties for responsible/delinquent borrowers.

The Seed Capital Fund recovered may then be (a) used as capitalization for the group enterprise, (b) re-loaned to members of the association, and/or (c) loaned to other members of the community. This process of Seed Capital Fund recovery is part of the capacity-building process which inculcates social responsibility to the program participants.

5.4.2 SLP Association to DSWD

While it is understood that the grant disbursed by DSWD to the individual eligible participants should be returned to the SLP Association, the SLP Association need not return it to the DSWD.

¹² The SLP Association may alternatively devise a system on how to facilitate the depositing of initial amount, without having to require each member to individually deposit to the identified financial institution

¹³ Products and services may include: deposit, credit, insurance, remittance, and business development services

¹⁴ Inclusivity defined in terms of proximity to and from the participants' households and/or accessibility through mobile, and ease of complying with requirements

To promote sustainability, the association must be trained or capacitated to deal with other stakeholders – the local government unit, the investing sector, the government line agencies, non-government organizations, and financial institutions, among others.

The SLP association must, in coordination with the PDO, take the lead role in accessing other forms of assistance from DSWD or DSWD partner organizations to continually manage and expand their microenterprises. Building capacity must also include the cultivation of the members' leadership abilities and the empowerment of the members in governance.

5.6 Registration, Federation, and Access to Other Services

Once established, SLP Associations of different barangays may also be registered and federated, or be affiliated with established institutions (e.g. government agencies, cooperatives, financial institutions, etc.) for better access to services and linkage to markets.

It is imperative that the track record on repayment be documented properly, for access to additional resources.

5.7 Monitoring and Evaluation

Monitoring starts immediately upon the release of the Seed Capital Fund to members of the SLP Association. The PDO must validate with the association if the Seed Capital Fund utilization check procedures are being strictly followed. It is also imperative that the members are reminded of the intent and purpose of the Seed Capital assistance, and that apart from the setting up of a credit and savings facility, this should lead to the creation of additional income for the participants.

Project monitoring should also be done on a regular (quarterly) basis. The PDO, with or through the CCG, should check and validate (at least a sampling of) the project monitoring reports being accomplished by the association's officers, which form part of the association's credit risk management systems. This validates the requirements for technical assistance inventoried and set up at the beginning, and identifies other forms of support needed by the SLP Association.

VI. References

- 6.1 Executive Order 138, 1999 - Directing Government Entities Involved in the Implementation of Credit Programs to Adopt the Credit Policy Guidelines Formulated by the National Credit Council
- 6.2 Memorandum Circular 11, series of 2014 – Enhanced Guidelines on the Implementation of the Sustainable Livelihood Program
- 6.3 SLP Field Operations Manual 2015

VII. Effectivity

This Memorandum Circular shall take effect immediately upon approval, and shall provide additional guidelines in the implementation of SLP. Provisions of this Circular rescinds previous issuances including Department Order 45 (DO45), series of 1996¹⁵ and Administrative Order 13, series of 2010¹⁶, and any inconsistencies with Memorandum Circular 11, series of 2014.

Issued in Quezon City this 18th day of June, 2015.


CORAZON JULIANO-SOLIMAN
Secretary

¹⁵ Also known as the *Policies for SEA-Kaunlaran Integrated Program – Level I*

¹⁶ Also known as the *Amendment to Department Order 45, series of 1996, and Department Order 17, series of 1997*